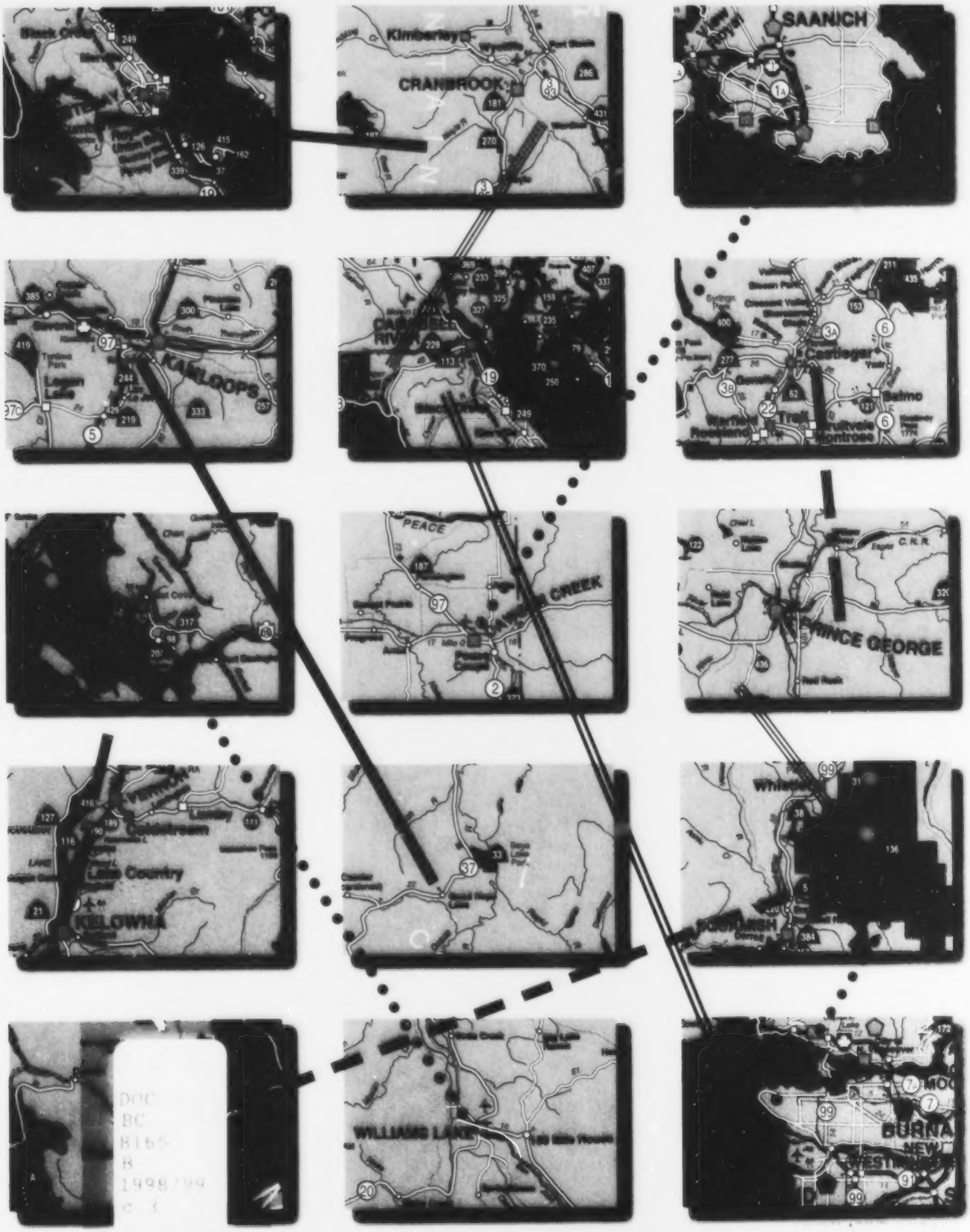
BCTFA
BC Transportation Financing Authority

ANNUAL REPORT 1998/1999



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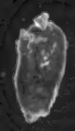

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Cover:
By connecting people and communities together, working ethically and preserving assets, BCTFA is facilitating economic development across the province.

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The Honourable
Garde B. Gardom
Lieutenant Governor
of the Province of
British Columbia

May it Please Your Honour:

I am pleased to submit the Annual Report of the BC Transportation Financing Authority for the period of April 1, 1998 to March 31, 1999, in accordance with the Build BC Act.

Harry Lali

Harry S. Lali
Minister responsible for the
BC Transportation Financing Authority

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BCTFA Profile & Financial Highlights

About the BCTFA

The BC Transportation Financing Authority is a provincial Crown corporation governed by a five-member Board of Directors. The corporation's head office is in Victoria, and there is a branch office in Vancouver.

The BCTFA's corporate mandate is specified in the *Build BC Act* (1993).

"to plan, acquire, construct, improve or cause to be constructed or improved transportation infrastructure throughout British Columbia and to do such other things as the Lieutenant Governor in Council may authorize."

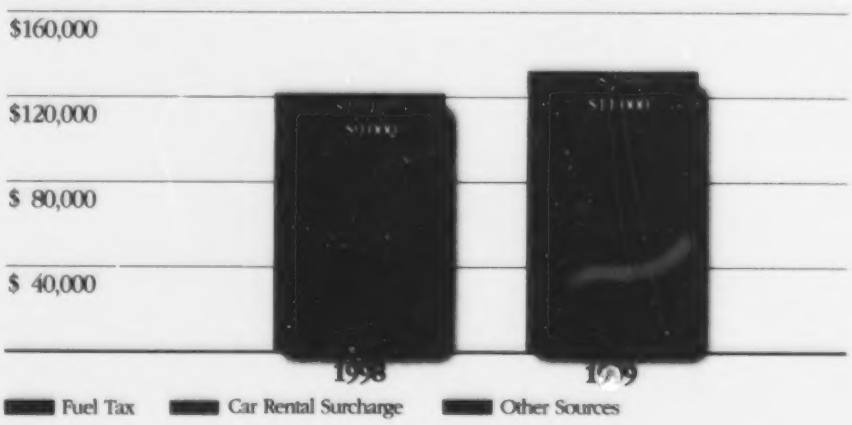
The BCTFA oversees and administers the year-to-year investment decisions for highway construction around the province. Most of the corporation's revenue comes from a share of the provincial fuel tax, presently set at two cents per litre. Additional revenue comes from a tax on vehicle rentals of $1.50 per day and investment income.

The BCTFA's wholly-owned subsidiary, Highway Constructors Ltd., which is the employer of construction labour on major provincially-funded highway projects and the SkyTrain expansion in Greater Vancouver.

REVENUE ($ 000s)

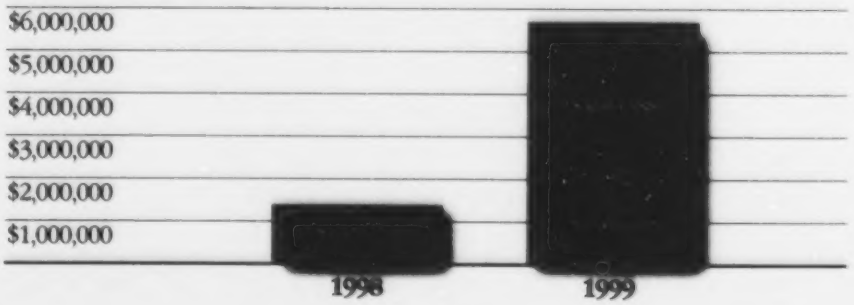
In 1998/99 the fuel tax generated $112.7 million for the corporation while car rental surcharges generated an additional $11 million.

Revenue from all sources totalled $126.3 million in 1998/99.



ASSETS ($ 000s)

On March 31, 1999 the BCTFA total assets were $5,662,408,000 (includes $4,054,388,000, following transfer of provincial highway system)



The Organizational Structure

The BCTFA has four operating groups that report directly to the President and Chief Executive Officer and through to the Board of Directors. They are:

- Planning and Evaluation Division
- Project Development & Implementation Division
- Management Services Division
- Communications Branch

The BCTFA's assets

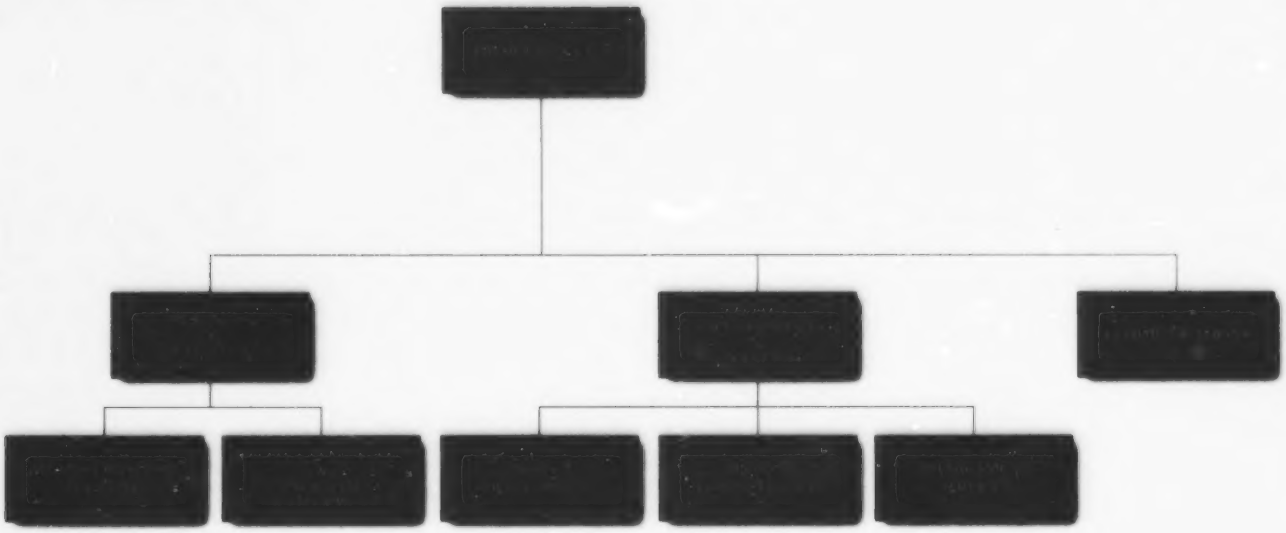
On March 31, 1999 the BCTFA became the owner of British Columbia's provincial highway network. On acquisition, these were valued at $4.054 billion.

The provincial highway network comprises the following (large figures rounded off to nearest hundred):

- 23,200 kilometres of paved roads
- 18,200 kilometres of gravel roads
- 2,700 bridges
- 64 tunnels/snow sheds
- 17 inland ferry routes
- 800 traffic control devices

More than 5,500 kilometres, or 22.5 per cent, of Canada's national primary highway system is in British Columbia. The BCTFA is responsible for the maintenance and upgrading of these highways, except for those sections that pass through national parks.

BCTFA Organizational Structure



A Message from the Minister

British Columbia's highways and its other transportation services are absolutely fundamental to our lives and economic well being and, like all infrastructure, they need to be kept in good repair and, from time to time, improved. The BC Transportation Financing Authority has met the challenge of providing transportation infrastructure for BC's diversifying economy while making sure the Province gets excellent value for the investments it makes.

Among its1998/99 capital investments, the BCTFA invested $150 million to protect one of BC's most precious assets, the existing provincial highway system. In particular, it made strategic investments in the North and Interior where many communities need provincial roads to reach basic services. Key among these regional investments was the $70 million Northern Roads Initiative and the $41 million, seven-year Nisga'a Highway project. This investment, along with another $230 million in capital expansion projects throughout the province helped create more than 3,100 private sector jobs in BC and provided much-needed stability to local economies.

An extensive planning and public consultation process started in January 1999 to develop a 25-year investment plan for part of the main east-west route across BC, the Trans-Canada Highway from Cache Creek to the Rockies. Work has already started in places such as the Monte Creek interchange where widening the route between the Okanagan Valley and Kamloops will shorten travel times between these two fast-growing regions. I am happy to report that this project will be completed on time and under budget.

The BCTFA continued to give British Columbians excellent value for the revenues it receives. It continues to pursue partnerships with local government and private sector companies in order to ensure that the province gets the best value for every transportation dollar invested. A good example of this approach is the 200th Street interchange in Langley. In mid-1998, the Province and the Township of Langley signed an agreement to share the cost of this $13.7 million project. The Province's share will be offset by the sale of surplus Crown land greatly reducing the cost of the project to BC taxpayers.

Another example of the BCTFA's innovative practises is the unique arrangement with a private partner to restore and maintain the important Sierra-Yoyo-Desan all-weather resource road in northeast BC. The project will ensure oil and gas production and exploration continues to flourish in that region. The improved road opened in fall 1998.

As the BCTFA improves its own internal operations and efficiencies, it is also improving the efficiency of the highway system. This impressive record of innovation is setting the pace for the next century.

Harry Lali

Harry S. Lali
Minister of Transportation & Highways
Minister responsible for the BC Transportation Financing Authority

A Message from the President and CEO

In its fifth year of operation, the BC Transportation Financing Authority achieved some notable accomplishments in 1998-99. Foremost among these was the launch of a capital rehabilitation program, successful partnership projects with government and private sector partners and opening of the HOV facility on Highway 1 in the Lower Mainland. The year also saw major changes in the organization and responsibility of the BCTFA.

The BCTFA's 1998-99 Preservation and Replacement Program involves a major investment strategy in the rehabilitation of the province's highway system. A key component of the program was the Northern Roads Initiative that included more than $70 million for upgrading roads in the north to support that region's economic development.

The past year saw the BCTFA continue its important work of forging partnerships to develop new highway infrastructure. In communities across the province, the BCTFA has worked closely with municipalities, private companies and other government agencies to find innovative alliances that result in value-added facilities. A number of these projects our highlighted in the pages of this year's annual report.

Ownership of the provincial highway system's assets were transferred to the BCTFA in the 1998-99 year. The added responsibility for $4 billion in provincial assets gives the BCTFA a unique perspective in its efforts to develop long-term strategies for the financing of our provincial highways

Internally, the BCTFA underwent some changes in 1998-99. Administrative operations were consolidated in the Management Services Division. The Land Management Branch was formed to manage sales and rentals of BCTFA land and properties. The value of this development is important. Land sales generate revenue for use in highway investment thus reducing costs to the taxpayer.

Highway Constructors Ltd., a wholly owned subsidiary of the BCTFA, had another commendable year in terms of job safety, local hiring for transportation projects and equity employment. HCL expanded its services to a number of other provincial transportation projects including the RTP 2000 rapid transit project, Prince George's John Hart Bridge, the Nisga'a Highway project in northwestern BC and the Lions Gate Bridge rehabilitation project.

We are constantly improving our cost containment strategies to try to achieve savings on every project. Last year these strategies involved everything from cost-sharing partnerships to timing the purchase of fuel supplies.

This has been a milestone year for the BCTFA and its entire staff. The organization has flourished in large part by the dedication and energy of its committed workforce. As the BCTFA prepares to enter the 21st century, it will continue to find means to provide improved transportation infrastructure at the lowest cost possible to the provincial taxpayer.

Blair Redlin
President & CEO
BC Transportation Financing Authority

BCTFA Operations

OVERVIEW OF BCTFA OPERATING DIVISIONS

Planning & Evaluation Division

The Planning and Evaluation Division coordinates the development and maintenance of a long-term provincial transportation strategy. The Division also coordinates the strategic plan and initiatives in corridors or areas where multi-modal transportation plans integrated with land-use plans are needed. The Division establishes project evaluation standards including the review of standards while developing procedures for optimizing programs.

In 1998/99 the Division's major accomplishments were:

1. Completion of Corridor Management Plans for:
- Highway 1: Cache Creek to the Rockies
- Highway 97: Cache Creek to MacKenzie Junction
- Highway 11: Canada/U.S. border to Mission

Investment Plans for:
- Highway 37 upgrading
- Nisga'a Highway

2. Developing the High Occupancy Vehicle/Transit Priority Network Plan and Implementation Strategy for Greater Vancouver and making significant progress on the Okanagan Valley Transportation Plan.

3. Creating investment strategies for the BCTFA Capital Plan. Capital expenditures increased $117.5 million over 1997/98's. In 1998/99, for the first time, the Capital Plan contained Preservation and Replacement Programs to maintain the current condition of the provincial highway network.

4. Administering the BCTFA's grant programs including the Cycling Network Program which underwent a review of its success in providing corridors to encourage cycling as an alternative to automobile transportation.

5. Developing and applying Multiple Account Evaluations when planning projects and including Value Analysis and Engineering requirements in projects.

6. Negotiating cost containment arrangements, including:
- a cost-sharing agreement with the City of Surrey and the Corporation of Delta for the Nordel Way Extension
- initiating a cost-sharing protocol with the Insurance Corporation of British Columbia that will increase the number of highway projects undertaken without resorting to dedicated tax revenues.

Project Development & Implementation Division

The Project Development and Implementation Division oversees the financing and monitoring of the implementation of the BCTFA's highway capital plan. The Division's responsibilities include the development of projects offering significant opportunities for cost recovery, beneficiary contributions or other benefits. This includes developing opportunities for public private partnerships and implementing more efficient methods for undertaking transportation projects. The Division manages BCTFA-owned capital assets and develops the BCTFA's operating budget and financial plan.

In 1998/99 the Division's major accomplishments were:

1. Development of major projects, including:
- Completion of the grade-separated interchange at Highway 11 and London Avenue in Mission.
- Arranging upgrading and ongoing maintenance of Sierra-Yoyo-Desan oil and gas service road with a private sector partner and Ministry of Energy and Mines.
- Procurement for improvements to the Highway 1/200th Street/88th Avenue interchange.
- Procurement for construction of the Sea Island Connector to improve access to Vancouver International Airport
- Completion of agreement with City of Castlegar to amalgamate Highway 3/22 Interchange and Highway 22/Kinnaird projects
- Working with the Nisga'a Tribal Council on the environmental assessment process for highway construction between Greenville and Kincolith

2. Additional projects in preliminary stages of development that involve contributions from beneficiaries and/or public-private partnerships include: Digby Island Fixed Link (Prince Rupert); Privately Financed Pedestrian Overpasses; Langley 202 Connector; Tuck Road; Amtrak Project; Western Delta Lands; Tulsequah Chief Mine Access; Kamloops Truck Centre; Tahsis/Zeballos Connector; Kemess/Sloan Connector; several ski hill access roads.

3. Delivery and monitoring of the BCTFA capital program. This includes monthly financial assessments of each project. All projects with budgets exceeding $5 million undergo value analysis and value engineering reviews. The Division also ensures that BCTFA projects meet the Government of British Columbia's employment training and local hiring goals.

Management Services Branch

Besides taking care of the BCTFA's corporate services, such as information systems and human resources, the Management Services Division in 1998/99 established the Land Management Branch, which looks after all property transactions and procedures. During the year the Division upgraded the BCTFA's computer systems and formulated accounting policies for the Preservation and Replacement Programs.

In its first year, the Land Management Branch established policies and procedures for the sale of lands not needed for transportation purposes. In particular, it works on transportation investment projects to ensure that land is put to optimal uses.

In 1998/99, the Branch put 23 residential and 2 commercial properties on the market; it sold 7 of these by the end of the year and put in process a further 7 for completion in 1999/2000. The Branch manages 80 rental properties.

Communications Branch

The Communications Branch provides communications support and planning for the BCTFA's Board and its operating divisions. The Branch provides strategic advice and communications planning in support of ongoing activities and programs.

In 1998/99 refined the BCTFA website, adding a separate site for the Lions Gate Project. It managed the BCTFA's sponsorship of Bike to Work Week in Victoria and Vancouver and designed a public display at the Pacific National Exhibition. With other government agencies, the Branch produced an interactive television program, Lanes, Trains and Automobiles, seen by more than 75,000 Greater Vancouver viewers.

For the Lions Gate Project, the Branch developed a wide-ranging public consultation and outreach process that incorporated a newsletter, public displays and neighbourhood meetings.

The Branch conceived and implemented a communications strategy for the Greater Vancouver High Occupancy Vehicle (HOV) Network and supported the opening of the Highway 1 HOV lanes between Coquitlam and Vancouver.

1998/99 BCTFA CAPITAL PLAN

The BCTFA's Capital Plan puts into practice the priorities laid out in the Government of British Columbia's transportation strategy, Going Places. Projects financed within the capital plan come from proposals made by the Ministry of Transportation and Highways, the Project Development and Financing Division and other sources. The Capital Plan's main elements are:

Priority Corridor Program

Projects under this program improve service along primary highways that have deficiencies and/or are facing pressures from traffic growth. These include:

- The Vancouver Island Highway
- Highway 1 from Cache Creek to the Rockies
- Highway 97 through the Okanagan Valley

Lower Mainland Congestion Relief Program

By encouraging more people to ride transit vehicles and to share rides in high occupancy vehicles (HOVs) using reserved highway lanes, this program is improving the effectiveness of existing transportation infrastructure. Projects completed or underway in 1998/99 under this program include the following:

- The HOV lanes along the Trans-Canada Highway between Coquitlam and Vancouver were completed and work started on changing over HOV lanes along Highway 99 from six persons per vehicle to three.
- The Government of British Columbia and the Greater Vancouver Regional District negotiated the transfer of responsibility for regional highways to the Greater Vancouver Transportation Authority. In the future, this will enable the BCTFA to concentrate its efforts on intraprovincial highways in the Lower Mainland.
- The BCTFA selected a construction consortium to rehabilitate the Lions Gate Bridge. The new design includes improved access for bicycles and pedestrians, an improved roadway surface and upgrading of the structure to contemporary seismic standards. There will also be a queue jumper system installed to give priority to transit vehicles entering the crossing.
- In 1998/99 the BCTFA shared the costs of building bicycle paths with several Greater Vancouver municipalities to link cyclists to transit and urban amenities.
- Planning continued to implement a Transportation System Management Pilot Project along Highway 1 with a private partner; this will save drivers travel time and reduce automobile-caused pollution by providing timely information about traffic conditions by constant monitoring of traffic flows and coordinating highway signals.

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Preservation and Replacement Program

In 1998/99, the BCTFA inaugurated a five-year program to maintain the current condition of the provincial highway network. The BCTFA focused its investments under this program in four main areas:

- Road and Bridge Surfacing–2,450 kilometres of highway lanes were resurfaced and 6 bridges received new decks.
- Bridge Replacement–30 deteriorated bridge structures were replaced.
- Seismic Retrofitting–5 important highway structures (overpasses and bridges) underwent seismic retrofits and the work on the Oak Street Bridge continued.
- Safety Improvements–146 projects of various types (upgrading intersections; road realignments; run-away lanes; guard rails, etc.) were completed; the Insurance Corporation of British Columbia shared the cost of 36 of these.

Economic Development Program

This program stimulates desirable economic activity through the provision of transportation infrastructure. Costs of projects funded under this program are shared or partly recovered.

Strategic Planning Fund

This fund supports the planning required for major transportation initiatives. In 1998/99, Lower Mainland planning work continued on improvements in the Port Mann Bridge/Cape Horn Interchange area of the Trans-Canada Highway, the New Westminster Area Network and the Route 11 Corridor Management Plan. In the Interior, work progressed on the Okanagan Valley Transportation Plan, the Route 1 Corridor Management Plan and Route 97 Corridor Management Plan.

The BCTFA undertakes regional transportation planning initiatives in conjunction with other planning issues such as municipal land use plans, growth management objectives.and integration of transit. Corridor plans ensure short-term investments are consistent with long-range performance requirements.

Lower Mainland Congestion Relief Program	48,954
Priority Corridor Program	143,436
Major Highway Performance Sustaining Program	24,526
Preservation of Assets	149,040
Economic Development Program	12,132

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1998/99 Program Spending Summary	($000s)
Lower Mainland Congestion Relief Program	48,954
Priority Corridor Program	115,436
Major Highway Performance Sustaining Program	21,526
Preservation of Assets	149,040
Economic Development Program	12,132

CAPITAL PLAN HIGHLIGHTS

Preservation and Replacement Program

In 1998/99 the BCTFA started a five-year Preservation and Replacement Program to ensure that the provincial highway network's performance standards are maintained. Particularly in the North and Interior, it is important to maintain mobility for people and goods.

Because it costs more to restore a road to good condition if it deteriorates past certain performance levels, the BCTFA considers the Preservation and Replacement Program to be an excellent investment that will save money over the length of the program.

In total, British Columbia has 23,200 kilometres of highways which have an average age of 13 years. The Ministry of Transportation and Highways inspects each segment of highway to assess its condition. In 1998/99, the Ministry rated 10,600 kilometres as good and 12,600 as fair to poor (600 kilometres were considered very poor). Without this investment program, the backlog of roads and bridges needing rehabilitation along primary highways would grow to 66 per cent from 22 per cent and for secondary highways from 50 per cent to 82 per cent.

The Preservation and Replacement Program has four main investment areas: Road and Bridge Surfacing; Bridge Replacement; Seismic Retrofitting; Safety and Minor Capital Improvements.

Road and Bridge Surfacing Investment Strategy

More road surface–2,540 kilometres of highway lanes–was repaved in 1998/99 than in any other of the last ten years. In addition, almost 600 kilometres of gravel roads received hard surfaces and 6 bridge decks were replaced. The investment in this strategy totalled $111,085,314.

Bridge Replacement Investment Strategy

There are about 2,700 bridges along provincial highways. Most are in good or excellent condition. About 18 per cent are fair and 4.5 per cent are in poor condition. In 1998/99, this strategy enabled 30 physically unsound bridges to be replaced with new structures and 37 others underwent preliminary work with completion expected in 1999/2000. The investment in this strategy totalled $12,847,881.

Seismic Retrofitting Investment Strategy

In the event of a strong earthquake, the provincial highway system will need to carry emergency services and supplies. For that reason, it is essential that bridges in earthquake-prone areas be seismically sound. In 1998/99 work started on a seismic retrofit of the Oak Street Bridge between Vancouver and Richmond and five other structures. A further 16 structures underwent analysis and/or design work with a view to completing the work in 1999/2000. These included the Mission Bridge, the Pitt River Bridge and the Nanoose Railway overhead. Investment in this strategy totalled $7,553,559 in 1998/99.

Safety and Minor Capital Improvements Investment Strategy

Improving highway safety with such features as guardrails, impact attenuators, and run-away lanes is a priority that saves both lives and money. In 1998/99, the BCTFA undertook 146 such projects which also included intersection upgrades and road realignments. The Insurance Corporation of British Columbia shared the cost of 36 of these projects. Almost two-thirds of the money under this program was spent in the Interior and Northern British Columbia. The investment in this strategy totalled $15,783,521.

Highway 97: Honeymoon Creek to Bijoux Falls

This highway is the major connector between the Lower Mainland and B.C.'s northern communities. As such, it is crucial to the northern economy and for northern residents to access medical services and other amenities further south in Prince George. During the 1970s, Pine Pass, an 80-kilometre

section of the highway between the junction with Highway 39 and Chetwynd, was paved with a cement-treated base that turned out to be susceptible to severe frost heaving and flooding. Consequently, the road surface has badly deteriorated and needs a totally new surface. In 1996/97 part of the highway pavement underwent reconstruction and in 1998/99 work started on the section between Honeymoon Creek and Bijoux Falls.

This project involved realigning the highway in places, flood protection, reconstructing the base as well as resurfacing with asphalt. In 1999/2000 and 2000/01, work will continue on reconstructing a further 13 kilometres of this important provincial connector. In all, the BCTFA is spending more than $16 million on this project with just over $1 million being contributed by the Federal Strategic Highway Improvement Program.

Highway 1: Cache Creek to the Rockies

The Trans-Canada Highway or Highway 1 links British Columbia to the rest of Canada and interior communities to the Lower Mainland and the Fraser Valley. It is important to the economic well-being of British Columbia and many of its communities and citizens as it's a major tourist route and goods-carrying road. From Cache Creek (west of Kamloops where Highways 1 and 97 connect) to the Rockies, the Trans-Canada Highway has, for the most part, two lanes but there are passing lanes in places and four lanes in and around growing urban areas.

Traffic volumes are increasing each year leading to congestion in the summer months, particularly along two-lane sections. This means delays for travellers and goods and a higher accident rate. In addition, some stretches of the highway in mountainous areas have deteriorated to the extent that they are hazardous in the winter months during extreme weather conditions.

In 1998/99 the BCTFA continued with its corridor management plan for this section of the Trans-Canada Highway and attended a series of public meetings in communities along the route. The BCTFA is proposing a 25-year investment plan for the route that takes into account local, regional and provincial needs.The strategic plan anticipates widening the entire route to four-lanes in the long-term. In the medium term, the plan is to address the bottlenecks and safety hazards in mountainous stretches such as Kicking Horse Pass and Three Valley Gap.

The short-term objective is to alleviate congestion in affected stretches by constructing passing lanes and, where it is warranted and cost-effective (such as with projects completed in Salmon Arm and near Sicamous), four lanes. There will also be measures to control access to the highway from secondary and private roads and to develop complementary roads to relieve traffic pressure on the highway.

As part of the upgrading of this major east-west link, work started in 1998/99 on a $16.4 million project that will greatly improve the route between the fast-growing areas of Kamloops and the Okanagan Valley. This involves widening four-kilometre long sections of Highways 1 and 97 and connecting them with an interchange at Monte Creek. This project will result in faster and smoother traffic flows.

Nisga'a Highway

In 1998/99 the Province announced its Northern Roads Initiative, a multi-year program that will upgrade roads and highways throughout the northern region. This initiative, much of which the BCTFA is funding through its capital investment programs, will:

- improve access to and from remote communities
- support growth in resource and tourism sectors
- maintain access for northern residents to needed services such as schools and health care

The Nisga'a Highway is a vital link between residents and businesses in the Nass Valley and Terrace, the main municipality in the region. In 1990, responsibility for this gravel road passed to the Ministry of Transportation and Highways from the Ministry of Forests. Sections of the road are prone to serious floods, which cut off the Nass Valley from the rest of the province. The plan to upgrade the Nisga'a Highway and other roads in the Nass Valley epitomizes much of the work being undertaken within the Northern Roads Initiative.

At the end of the multi-year program, the Nisga'a Highway will be paved to a two-lane, 70 kilometres-per-hour standard with two bridges reconstructed. This will provide a reliable, all-weather connection between Terrace and the Nass Valley communities. In 1998/99, the BCTFA invested $852,700 in gravelling and sealcoating 29 kilometres of the highway.

The BCTFA is also planning and funding a road that will connect the isolated community of Kincolith, now only accessible by sea or air, to Greenville in the Nass Valley. The project includes building a 23-kilometre, gravel road along the north shore of the Nass River between Greenville and Mill Bay, building two bridges and surfacing an existing track from Mill Bay to Kincolith with gravel. When completed the road will have a 50 kilometre-per-hour standard and form part of the provincial highway network.

In 1998/99 this $30 million project was still undergoing an environmental review process before the Environmental Assessment Office. Design and construction of this road presents the BCTFA with some difficult challenges. Part of the proposed route goes through precipitous terrain alongside the Nass River and could threaten fish habitat. Initial construction work on this route is expected to start in 1999/2000.

PARTNERSHIP PROJECTS

The BCTFA works with the private sector, municipal governments and other agencies to develop projects that will be funded in whole or in part through cost-sharing methods. These projects allow for the development of transportation infrastructure in a cost-effective manner.

In 1998/99, the BCTFA initiated or participated in several partnership projects, including:

Mission Interchange

In November, 1998, construction of a new interchange in Mission on Highway 11 was completed. The first phase of the new Mission By-pass, this interchange is the result of a highly successful public-private partnership. A shopping centre developer, paid for the interchange's design and construction and the BCTFA does not have to pay its one-third share of the $4.5 million project until the end of 2000.

The three-way partnership and cost-sharing between the BCTFA, the District of Mission and the private developer was an innovative way of building and financing transportation infrastructure. The private company paid for the project and will only be reimbursed by the BCTFA when the second phase of the shopping centre is at least half completed and the interchange is operational.

The interchange adds transportation infrastructure to the provincial highway system that will help to meet the Province's goals of creating job and developing the economy. The shopping centre, combined with an entertainment complex, is providing hundreds of jobs, both during the construction phase and after the tenants move in. In addition, the interchange improves access to an industrial park and to Mission Raceway.

The money saved by the BCTFA is being put into other projects. Planning for the Mission By-pass is well advanced with major construction expected to start in 1999/2000.

South Surrey Interchange Project

In early 1999, preliminary work started on the South Surrey Interchange, the first design/build/develop project undertaken by the BCTFA. The City of Surrey is paying part of the cost while the BCTFA's portion is totally offset by the sale of 7.6 hectares of adjacent Crown land which will become a shopping centre.

The project meets several goals for the Province and BCTFA. It improves safety and congestion along the main Vancouver-U.S. border route, Highway 99. When completed by the end of 1999, two new ramps will have been added to the interchange as well as a new underpass that will carry east-west traffic from King George Highway. In addition, a park-and-ride facility for transit users will be moved to a new location near-by.

In 1998/99 the BCTFA and the City of Surrey announced a call for expressions of interest to which seven engineering/construction consortiums responded. In August, 1998 the BCTFA invited three to make proposals with detailed designs and prices. BA Blacktop Ltd. won the contract, part of which was for the contractor to purchase the Crown land to offset the Province's costs. Grosvenor International Canada is developing the shopping centre on the land. During and after construction, the shopping centre will create hundreds of jobs and provide a badly needed facility for South Surrey and White Rock residents.

Vancouver International Airport Connector

Preliminary work started in 1998/99 on improved access to Vancouver International Airport to accommodate its ever-growing number of passengers, and increasing amount of cargo. A unique three-way cost sharing between the BCTFA, the Airport Authority and the City of Richmond will pay for a new three-lane crossing over the Moray Channel and improvements to the road system on Sea Island and Lulu Island between the Airport and Highway 99.

The $40 million project will improve access to the airport from Highway 99, the main route between the U.S. border and Greater Vancouver. This will assist the airport in achieving its goal of becoming a major facility for intermodal cargo between the Asia-Pacific Region and North America. Travel times between the border and the airport will be shorter and this should attract more business. In addition, the new channel crossing will improve transit connections to the airport from all over the Lower Mainland.

While the BCTFA's share of the cost is $30 million, the sale of surplus Crown lands could reduce this figure substantially. The project is expected to be completed in 2001.

Insurance Corporation of British Columbia

In 1998/99 the BCTFA and ICBC started a project to improve safety by constructing guard rails, installing traffic lights and other highway features designed to improve safety for drivers and other road users. ICBC contributed $2 million in 1998/99.

HIGHWAY CONSTRUCTORS LTD. (HCL)

A wholly-owned BCTFA subsidiary, Highway Constructors Ltd., (HCL) was incorporated in 1994 to fulfil two primary objectives:

• Provide a well-qualified and well-trained labour force for all designated, Province-funded, major construction projects. HCL also facilitates labour relations and works to resolve disputes between contractors and employees.

• Provide employment opportunities and work training for people who are traditionally under-represented in the labour force.

Since 1994, more than 2,600 Vancouver Island workers have found jobs on the Vancouver Island Highway Project. In 1998/99 local workers earned $76 million working on this project. Employees from traditionally-disadvantaged groups have realized almost 20 per cent of the total hours on this project.

In 1998/99, HCL also provided the work-force for the construction of the High Occupancy Vehicle lanes along the Trans-Canada Highway between Coquitlam and Vancouver. Workers resident in the Lower Mainland received $7 million in taxable earnings. Employees from traditionally-disadvantaged groups realized nearly 18 per cent of the hours worked on this project.

In late 1998, HCL became the employer of construction labour for the SkyTrain expansion project between Vancouver and New Westminster. Negotiations have started between HCL and Rapid Transit 2000 Ltd., the Crown corporation responsible for the project, to formulate a protocol agreement.

In addition to these projects, HCL has collective agreements with the British Columbia Highway and related Construction Council for the Cache Creek to the Rockies Investment Program and the Lions Gate Rehabilitation Project.

These agreements have no-strike/no-lockout provisions for the duration of all projects. In addition, they contain stipulations for attaining the BCTFA's social and economic objectives for the communities near projects, employment equity initiatives and work-force efficiencies.

The North American Occupational Health and Safety Group recognized HCL's accident prevention program as a model of its kind. HCL's record for lost time due to accidents continues to be 38 per cent better than the industry average.

M121

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20 Victoria Street
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BCTFA GRANT PROGRAMS

The BCTFA administers three grant programs that assist local governments or non-profit agencies in providing transportation infrastructure. These are the Air Transport Assistance Program, the Cycling Network Program and the Newly Incorporated Territories Program.

Air Transport Assistance Program

Established in 1978, the Air Transport Assistance Program (ATAP) provides financial assistance to community airports for capital works. For certain projects ATAP stipulates that the local government pay a share of the costs. The BCTFA assumed responsibility for ATAP in 1994.

ATAP enables remote and rural communities to have a basic level of access by air and helps to provide airport capacity to accommodate population increases and economic growth. The program does not fund the operation or maintenance of airports.

The objectives of this program are to maintain British Columbia's air transport facilities to meet emergency requirements and encourage local airline/airport operator investments. Since 1978, the program has contributed almost $60 million to community air facilities.

Air Transport Assistance Program (ATAP) grants are paid in installments. A formula which provides 25 per cent of funding at the time of the grant announcement, 50 per cent when the local authority enters into a contract for capital work and 25 per cent on completion of the project.

108 Mile	Runway Overlay	$450,000
Atlin	Completion of outstanding lighting requirements	$61,767
Bella Coola	Flightway Clearing	$120,000
Bella Coola	Replace Terminal Building Roof	$18,750
Burns Lake	Crack Sealing, Drainage, Weed Control	$14,200
Burns Lake	Terminal Pumphouse/Steps Repair	$2,550
Castlegar	Mechanical Lift-special needs passengers	$20,000
Invermere	Runway crack sealing	$35,633
Likely	Rehab gravel runway, fence repair	$25,000
Powell River	Runway Extension	$123,750
Qualicum Beach	Runway pavement marking	$10,000
Qualicum Beach	Security perimeter fencing	$46,875
Salmon Arm	Relocate runway edge lights	$25,000
Sechelt-Gibsons	Lighted windsocks	$9,000
Valemount	Fuel facility	$29,628

The Cycling Network Program

British Columbia implemented the Cycling Network Program in 1995 to encourage people to use their bicycles more by constructing cycle paths and other related infrastructure throughout the province. Bicycles can be an efficient, safe, non-polluting and cost-effective alternative means of transportation to the automobile. In particular, the Province seeks to encourage people to use their bicycles to go to work, school and for shopping.

In its first four years, the CNP has awarded $7.3 million helping to fund 126 cycling infrastructure projects. In 1998/99 the BCTFA, to expedite projects more quickly, advised applicants for funding that they must have a Bycycle Network Plan in place and that projects had to be able to proceed quickly.

CNP funding is usually available on a 50/50 cost-share basis but an exception is made if the proposed route goes along a provincial road. All projects must fit into a bicycle network plan drawn up by a local community. The BCTFA ranks projects according to criteria that include expected usage, safety, integration with other existing cycle paths and cost effectiveness.

Under the Cycling Network Program, the province pays municipalities up to half of the project costs. Funds are payable when the project is complete and the municipality has invoiced the province. Any cost overruns become the responsibility of the municipality. The figures provided below represent the maximum amounts available for each project.

Abbotsford	add 2.20 km of 1.5m paved shoulder on both sides of King Rd. to provide access to the University College of the Fraser Valley (UCFV). Works proposed are excavation, paving, pavement markings and signs	$13,404
Abbotsford	add 1.20 km of 1.5m paved shoulder on the east side of McCallum Rd. from Vye Rd. to Gillis Rd., to compliment existing paved shoulder on the west side.	$19,965
Abbotsford	add 0.82 km of 1.5m paved shoulder on the north side of Vye Rd. from McCallum Rd. to McKenzie Rd., to compliment the existing paved shoulder on the right side.	$13,636
Campbell River	construct a 1.20 km separated path along Highway 19 from Big Rock to Rotary Beach	$52,920
Campbell River	construct a 0.84 km separated path along Simms Creek from Rockland Rd. to McPhedran Rd.	$57,400
Chilliwack	widen to accommodate 0.30 km of 1.5m wide bike lanes along both sides of Higginson Rd. from School Lane to South of Roy	$19,500
Chilliwack	widen to accommodate 0.25 km of 1.5m wide bike lanes along both sides of Ashwell Rd. from Bernard Ave. to Westview Ave.	$9,500
Chilliwack	widen to accommodate 1.30 km of 1.5m wide bike lanes along both sides of Hope River Rd. from Young Rd. to Kent Rd.	$31,500
Chilliwack	widen to accommodate 0.53 km of 1.5 wide bike lanes along both sides of Williams St. from Hope River Rd. to Strathcona Rd.	$30,000
Kamloops	construct 3.90 km of 1.5m shoulder bikeway along the north side of Mission Flats Rd. from Overlander Bridge to Weyerhaeuser Pulp Mill to compliment the existing bikeway on the south side	$48,850
Kelowna	construct 2.28 km of 1.5m bike lanes along the Benvoulin Rd. from Laurence Rd. to K.L.O. Rd.	$47,132
Maple Ridge	widen road to accommodate cyclists along Laity Rd. from Dewdney Trunk Rd. to 124th St.	$49,900
Nanaimo	widen road to accommodate cyclists for 0.40 km along both sides of Bowen Rd. from Wakesiah Ave. to Quarterway Bridge	$49,175

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Qualicum Beach	Security perimeter fencing	$46,875
Salmon Arm	Relocate runway edge lights	$25,000
Sechelt-Gibsons	Lighted windsocks	$9,000
Valemount	Fuel facility	$29,628
	Total Approved Projects	**$992,153**

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Cycling Network Program (CNP) Grants

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Abbotsford	add 0.82 km of 1.5m paved shoulder on the north side of Vye Rd. from McCallum Rd. to McKenzie Rd., to compliment the existing paved shoulder on the right side.	$13,650
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Chilliwack	widen to accommodate 0.53 km of 1.5 wide bike lanes along both sides of Williams St. from Hope River Rd. to Strathcona Rd.	$30,000
Kamloops	construct 3.90 km of 1.5m shoulder bikeway along the north side of Mission Flats Rd. from Overlander Bridge to Weyerhaeuser Pulp Mill to compliment the existing bikeway on the south side	$48,850
Kelowna	construct 2.28 km of 1.5m bike lanes along the Benvoulin Rd. from Laurence Rd. to K.L.O. Rd.	$[illegible]
Maple Ridge	widen road to accommodate cyclists along Laity Rd. from Dewdney Trunk Rd. to 124th St.	$[illegible]
Nanaimo	widen road to accommodate cyclists for 0.40 km along both sides of Bowen Rd. from Wakesiah Ave. to Quarterway Bridge	$[illegible]

Cycling Network Program (CNP) Grants *(continued)*

Community	Project	Maximum Grant
Parksville	widen shoulder for 0.19 km along Wembley Rd. from Church Rd. to Manse Rd. to accommodate 2m wide bike lanes	$21,036
Penticton	install "Bike Route" signs along 1.50 km of Winnipeg St. from Lakeshore Dr. to Fairview Rd.	$4,500
Penticton	install "Bike Route" signs along 0.60 km of Preston Ave. and Nelson Ave. from Fairview Rd. to Manitoba St.	$1,800
Penticton	install "Bike Route" signs along 1.00 km of Atkinson St. from Duncan Ave. to Kinney Ave.	$3,000
Penticton	construct 100 metres of separated bike path along the Kettle Valley Railway (KVR) from Eckhardt Ave. to Government St.	$2,650
Pitt Meadows	widen Dewdney Trunk Rd. for 2.80 km to accommodate shoulder bikeway on both sides of the road	$35,782
Port Coquitlam	reroute Poco Trail under the CP Rail lines at Pitt River for 0.60 km from Pitt River Dyke to Mary Hill Bypass	$39,300
Port Coquitlam	upgrade existing pathway on the west side of the Coquitlam River including an extension under the CPR and Kingsway Bridges to connect the Kingsway Ave.	$10,050
Quesnel	construct 1.90 km of separated bike path parallel to the Quesnel River along the BC Rail and BC Hydro rights-of-way from Highway 97 to Brownmiller Rd.	$49,227
Richmond	construct 1.20 km of bike path adjacent to Shell Rd. from Westminster Highway to Hwy 99 Overpass	$119,750
Richmond	construct 1.20 km of 1.8m wide bike lanes along Granville Ave from Railway Avenue to No. 1 Road	$85,000
Saanich	construct 1.05 km of 1.5m wide bike lanes along Cordova Bay Rd. from Mount Douglas Park to Ash Rd.	$147,500
Saanich	construct 0.18 km of 1.5m wide bike lanes along Cedar Hill Cross Rd. from Synod Rd. to Cedar Hill Rd.	$19,629
Sparwood	construct the first phase of 1.30 km separated bike path from Matevic Rd. to Michel Creek Rd., including the bridge over the Elk River	$160,000
Squamish	construct 0.70 km of shoulder bikeway along Buckley Ave. from Carson Place to Bowen Ave.	$15,743
Surrey	construct 1.20 km of separated bike path within the BC Hydro corridor from Fraser Highway to 102nd Ave.	$119,863
Surrey	construct 1.50 km of separated bike path along the King George Highway from 128th St. to Gateway Dr.	$146,780
Tofino	construct 0.90 km of separated bike path along Highway 4 from Draeder Rd. to 0.90 km south	$31,349

Cycling Network Program (CNP) Grants *(continued)*

Victoria	construct 150 metres - 3m wide separated bike path between Harbour Rd. and the vehicle overpass west of the Johnson St. Bridge, also linking to the Songhees development	$24,350

The Newly Incorporated Territories Program

In 1996, the Province eliminated the Incorporation Assistance Program, previously administered by the Ministry of Transportation and Highways, which assisted newly-incorporated and restructured municipalities rehabilitate roads and and bridges. However, the Province also declared it would honour existing commitments.

In 1997, the BCTFA became responsible for meeting the Province's outstanding capital obligations under this program. In 1998/99 the BCTFA allocated funds to seven municipalities for rehabilitation roadwork.

Grants for this program are calculated according to a 75/25 per cent cost-sharing formula between the provincial and municipal government.

Abbotsford	Reconstruction of 0.35 km of McCallum Rd. from Highway 1 to Holland Ave.	$135,000
Campbell River	Top dressing the shoulders and repaving 0.35 km of Petersen Rd. from Evergreen Rd. to Croatian Rd.	$34,140
Campbell River	Shouldering and repaving of 0.07 km of Holmstom Rd. from km 0.33 to km 0.40	$6,450
Highlands	Reconstruction of Munn Rd. for 0.80 km from Millstream Lake Rd. to Fork Lake Rd.	$368,624
Hope	Seal coat 0.80 km to Landstrom Rd. from km 0.0 to km 0.80	$8,111
Hope	Repaving the full length of Frost Rd. for a total length of 400 metres	$2,839
Langford	Reconstruction of Jacklin Rd. for 580 meters from Dunford Rd. to Goldstream Ave.	$555,000
Lillooet	Reconstruction of the full length of Landfill Rd. for 1 km	$262,122
Radium Hot Springs	Conversion of abandoned sewage lagoons into detention ponds to accommodate roadway runoff in the vicinity of Forsters Landing Rd. and Main St. East and West	$14,987

Cycling Network Program (CNP) Grants *(continued)*

Community	Project	Maximum Grant
Victoria	construct 150 metres - 3m wide separated bike path between Harbour Rd. and the vehicle overpass west of the Johnson St. Bridge; also linking to the Songhees development	$21,450
	Total	**$1,480,191**

The Newly Incorporated Territories Program

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Newly Incorporated Territories Program Grant

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Municipality	Road/Bridge Details	Approved
Abbotsford	Reconstruction of 0.35 km of McCallum Rd. from Highway 1 to Holland Ave.	$135,000
Campbell River	Top dressing the shoulders and repaving 0.35 km of Petersen Rd. from Evergreen Rd. to Croatian Rd.	$34,140
Campbell River	Shouldering and repaving of 0.07 km of Holmstom Rd. from km 0.33 to km 0.40	$6,450
Highlands	Reconstruction of Munn Rd. for 0.80 km from Millstream Lake Rd. to Fork Lake Rd.	$308,021
Hope	Seal coat 0.80 km to Landstrom Rd. from km 0.0 to km 0.80	$8,111
Hope	Repaving the full length of Frost Rd. for a total length of 400 metres	$2,889
Langford	Reconstruction of Jacklin Rd. for 580 meters from Dunford Rd. to Goldstream Ave.	$555,000
Lillooet	Reconstruction of the full length of Landfill Rd. for 1 km	$262,122
Radium Hot Springs	Conversion of abandoned sewage lagoons into detention ponds to accommodate roadway runoff in the vicinity of Forsters Landing Rd. and Main St. East and West	$14,987
	Total	**$1,387,273**

Capital Investment Summary 1998-99

Project Description	Community	Funding ($ 000s)
Priority Corridor Program		
Vancouver Island Highway Project	Vancouver Island	111.416
Hwy 1 - Golden to Edelweiss	Golden	0.016
Hwy 97 - Okanagan Lake Bridge	Kelowna	1.843
Hwy 1 - Cache Creek to the Rockies	Kamloops to Alberta Border	11.122
Hwy 1 - Tumbleweed Interchange to Sonora Road - Ph 1	Kamloops	10.049
Hwy 1 - Sicamous Westbound Passing Lanes	Sicamous	2.049
Hwy 97A - Swan Lake to Crozier Road	Vernon	0.253
Hwy 97 - Windfield to Oyama	Winfield	0.186
Hwy 97 - Glenrosa Interchange	Westbank	2.288
Hwy 1 - Hospital Road to 30th Street	Salmon Arm	3.124
Hwy 1 - Park Gate Passing Lanes	Revelstoke	0.256
Duke Point Access Road	Nanaimo	0.834
	Subtotal	143.436
Lower Mainland Congestion Relief Program		
HOV Network Development	GVRD	0.065
Hwy 99 - South Surrey I/C (Surplus Land and City Contribution)	Surrey/White Rock	0.256
Lions Gate Bridge	Vancouver/West Vancouver	6.814
Broadway Connector	Burnaby	0.498
Johnson Mariner Connector	Coquitlam	0.787
Hwy 1 - HOV Lanes (Grandview to Cape Horn Interchange)	Burnaby/Coquitlam	28.741
Hwy 91 Interchanges (Westminister/Hamilton)	Richmond/Delta	0.374
Hwy 7a - Barnet Hastings	Burnaby/Port Moody	0.151
Canada Way at Edmonds/Imperial	Burnaby	0.144
Airport Connector	Richmond	1.165
Hwy 1/200th Street Interchange	Langley	3.916
Hwy 91 - Nordel Interchange Improvements	Delta/Richmond	0.150
Hwy 1 - Port Mann Bridge 5-laning (incl. Lougheed/Cape Horn I/C)	Coquitlam/Surrey	2.676
Hwy 7 - Pitt River Counter Flow	Pitt Meadows/Port Coquitlam	0.101
Lougheed/Cape Horn Interchange Improvements	Coquitlam	0.602
Hwy 99 - South Surrey Interchange	Surrey	1.325
8th Avenue - Hwy 15 to Hwy 99	Surrey	0.079
Hwy 10 - 124th Street to 144th Street	Surrey	0.106
South Fraser Perimeter Road	Surrey/Delta	0.403
Hwy 1 - Dollarton E/B On-ramp Realignment	North Vancouver	0.050
Hwy 99/17 HOV Bus Lane	Delta/Richmond	0.032
Hwy 1 - Westview Interchange	North Vancouver	0.219
	Subtotal	48.954
Major Highway Performance Sustaining Program		
Beatton River Crossing	Fort St. John	0.023
Hwy 101 - Rat Portage Hill	Sechelt/Gibsons	0.055
Kootenay Lake Ferry	Balfour	0.369
Hwy 99 - Culliton Creek to Cheakamus Canyon	Whistler/Squamish	0.527
Hwy 101 - Wharf Road - Conveyor	Sechelt/Gibsons	0.063
Hwy 1 - Julseth Road Intersection Elimination	Chilliwack	0.010
Hwy 1 - Capilano Interchange Improvements	North Vancouver	1.173
Hwy 101 - Jack Road	Sechelt	0.467
Hwy 11 - Harris Road to Sumas Way	Mission/Abbotsford	0.216
Hwy 1 - Sumas - Veddar	Abbotsford	0.933
Hwy 7 - Albion Slide	Maple Ridge	2.622
Hwy 97 - Channel Parkway	Penticton	0.003
Hwy 97 - 100 Mile to Lac La Hache	100 Mile House/Lac La Hache	0.011
Hwy 99 - Fountain Underpass	Lillooet	0.010
Hwy 97 - Bull Mountain Road Passing Lane	Williams Lake	0.058
Hwy 5 - Heffley Creek to Avola Passing Lanes	Barriere	0.097
Hwy 24 Runaway Lanes	Little Fort	0.537
Hwy 97/20 Oliver Street Intersection	Williams Lake	0.060

Capital Investment Summary 1998-99 *(Continued)*

Project Description	Community	Funding ($ 000s)
Major Highway Performance Sustaining Program *(Continued)*		
Hwy 12 - Texas Creek Slide	Lillooet	0.100
Hwy 97C - Garcia Lake to Aspen Grove	Merritt	0.078
Hwy 97 Williams Lake - Airport Curve	Williams Lake	0.043
Hwy 3 through Cranbrook	Cranbrook	0.067
Hwy 3A - Kootenay Bay Arrester Bed	Balfour/Kootenay Bay	0.732
Hwy 3/22 - Castlegar Interchange	Castlegar	0.613
Hwy 3 - Midway to Boundary Falls	Greenwood	0.085
Hwy 3 - Johnstone Creek	Rock Creek	0.119
Hwy 3/33 Intersection	Rock Creek	0.013
Hwy 3 - Sandhill Corner	Rossland/Trail	0.059
Hwy 3/95 - Yahk Weigh Scale Access	Yahk	0.008
Hwy 3/95 - Moyie Bluffs	Cranbrook	0.006
Hwy 6 - Nakusp Truck Route	Nakusp	0.093
Hwy 3 - Olson Railway Crossing	Sparwood	0.089
Hwy 97 - Quesnel Bypass	Quesnel	0.003
Hwy 97 - Browning/Dahl Climbing Lanes	Quesnel	2.133
Hwy 16 - Hillcrest Way	Prince George/Vanderhoof	0.009
Hwy 97 - York and Yardley Passing Lanes	Hixon	1.870
Hwy 97 Toolbox Improvement (Quesnel)	Quesnel	0.092
Hwy 97/16 Intersection	Prince George	2.509
Hwy 2 Passing Lanes	Pouce Coupe	0.055
Hwy 97 - MacAlister Road/Edmunds Road Passing Lane	McLeese Lake	0.078
Hwy 97 - Hush Lake Climbing Lane Extension	Quesnel	0.114
Hwy 97 - South Peace Hill Reconnaissance Study	Taylor	0.243
Hwy 16 - Vance - Cowart Road Intersection	Prince George	0.132
Hwy 97 - Westcoast Energy Road Passing Lane	Fort St. John	0.115
Hwy 97 - John Hart Bridge and Intersection	Prince George	0.468
Hwy 16 - Andimaul to Shandilla	Kitwanga/Hazelton	0.514
Hwy 37 - Deltaic Creek to Kiniskin Lake	Cassiar	0.637
Hwy 16 - Smithers Curb and Gutter	Smithers	0.118
Smith, Batty and Debeau Roads	Port Alberni	0.744
Hwy 4A - Station and Pratt Roads	Parksville	0.029
Hwy 19 Campbell Way	Port McNeil	0.010
Hwy 19 - Misty Lake	Port McNeil	1.541
Hwy 4 - Truck Climbing Lane	Port Alberni	2.595
Nisga'a Hwy Upgrade	Nass Valley	1.178
	Subtotal	**24.526**
Preservation and Replacement Program		
98/99 Road and Bridge Re-surfacing Program	Throughout Province	101.630
98/99 Bridge Replacement Program	Throughout Province	12.575
98/99 Seismic Retrofit Program	Lower Mainland/Vancouver Island	7.544
98/99 Safety and Minor Capital Improvement Program	Throughout Province	15.757
Hwy 101 Saltery Bay - Powell River	Powell River	4.913
Duffy Lake Road	Duffey Lake	0.027
Hwy 12 - Lytton Bridge	Lytton	0.041
Hwy 97 - Honeymoon Creek to Bijoux Falls	McLeod Lake	1.532
Hwy 37 - Rescue Creek Bridge	Stewart	0.273
Hwy 37 - Bell 1 to Deltaic Creek	Stewart	1.748
	Subtotal	**149.040**
Economic Development Program		
Hwy 7 - TFA Property Acquisition	Throughout Province	9.938
Mission Interchange	Mission	1.488
Greenville to Kincolith Road	Greenville/Kincolith	0.704
Digby Island Bridge	Prince Rupert	0.002
	Subtotal	**12.132**

Financial Report

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Report of the Auditor General of British Columbia

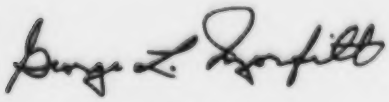
To the Board of Directors of
the BC Transportation Financing Authority, and

To the Minister of Transportation and Highways,
Province of British Columbia:

I have audited the consolidated balance sheet of BC Transportation Financing Authority as at March 31, 1999 and the consolidated statements of earnings and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted accounting standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Victoria, British Columbia
July 9, 1999

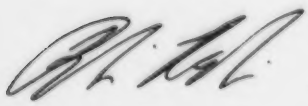
Management Report

The consolidated financial statements of the BC Transportation Financing Authority have been prepared by management in accordance with generally accepted accounting principles.

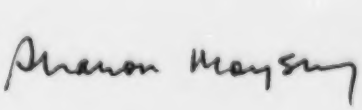
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for the review and approval of the financial statements and meets with the management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Board of Directors with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the BC Transportation Financing Authority.



Blair Redlin
President and Chief Executive Officer



Sharon Moysey
Executive Director
Management Services and
Corporate Secretary

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Fax: (416) 362-6161
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Consolidated Balance Sheet

March 31, 1999

($ 000s)	1999	1998
Assets		
Current assets:		
Cash and temporary investments	**10,327**	9,556
Marketable securities (note 2)	**88**	88
Accounts receivable	**12,737**	11,055
	23,152	20,699
Corridor protection (note 3)	**34,130**	9,630
Capital assets (note 4, 5)	**5,605,126**	1,327,906
	5,662,408	1,358,235
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**81,954**	62,003
Interest payable	**17,997**	11,064
Deferred contributions (note 6)	**13,298**	10,909
	113,249	83,976
Capital debt net of sinking funds (note 7)	**1,420,356**	1,085,579
Deferred capital contributions (note 5)	**3,532,796**	- -
	5,066,401	1,169,555
Equity		
Retained earnings	**74,415**	188,680
Contributed surplus (note 5)	**521,592**	- -
	596,007	188,680
	5,662,408	1,358,235

Commitments (note 16)
Contingencies (note 17)
The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Director

Director

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On behalf of the Board:

Director

Director

Consolidated Statement of Earnings and Retained Earnings

Year Ended March 31, 1999

($ 000s)	1999	1998
Revenue		
Dedicated taxes (note 8)	123,709	117,543
Other (note 9)	2,593	13,107
	126,302	130,650
Expenditures:		
Operations (note 10)		
Grant programs (note 11)	11,461	5,107
Transportation planning	1,994	2,462
Training programs	55	98
General and administrative expenses:		
Ministry of Transportation and Highways services (note 12)	16,700	16,500
Salaries and benefits	2,886	2,150
Professional services	1,393	1,117
Office	477	404
Rent	351	316
Travel	232	173
Interest (note 13)	68,130	27,688
Amortization	32,058	13,956
Write down of project costs	14,117	4,272
	149,854	74,243
(Loss) Earnings from operations	(23,552)	56,407
Other items (note 14)		
Transfer of highways	(90,713)	--
Flood repair program	--	(4,804)
Net (loss) earnings for the year	(114,265)	51,603
Retained earnings, beginning of year	188,680	137,077
Retained earnings, end of year	74,415	188,680

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

Year Ended March 31, 1999

($ 000s)	1999	1998
Cash provided by (used in):		
Operations:		
(Loss) Earnings from operations	**(23,552)**	56,407
Amortization, which does not involve cash	**32,058**	13,956
Other item - flood repair program	**--**	(4,804)
Change in non-cash operating working capital	**27,591**	(5,351)
	36,097	60,208
Financing:		
Increase in capital debt - borrowings	**346,657**	178,300
Contribution to sinking funds	**(11,880)**	(8,236)
Investments:		
Purchase of capital assets	**(370,103)**	(250,165)
Increase (decrease) in cash and temporary investments	**771**	(19,893)
Cash and temporary investments, beginning of year	**9,556**	29,449
Cash and temporary investments, end of year	**10,327**	9,556

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Earnings and Retained Earnings

Year Ended March 31, 1999

($ 000s)	1999	1998
Revenue		
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The accompanying notes are an integral part of these financial statements.

BC Transportation Financing Authority (BCTFA), established in 1993 as a Crown Corporation of the Province of British Columbia by the enactment of the Build BC Act, has a mandate to plan, acquire, construct, hold and improve transportation infrastructure throughout British Columbia. As a government enterprise, BCTFA co-ordinates the planning and implementation of transportation infrastructure in British Columbia and uses dedicated tax revenue, project revenue and miscellaneous revenue for the financing of infrastructure projects.

Highway Constructors Ltd. (HCL), a wholly owned subsidiary, was formed to provide the labour force and labour relations structure for contractors working on major transportation infrastructure projects. During the year ended March 31, 1999, HCL provided the labour force to the Vancouver Island Highway Project, the Highway 1 High Occupancy Vehicle Lane Project in the Lower Mainland and the Cache Creek to the Rockies Project in the Interior.

At March 31, 1999, highway assets owned by the Province of British Columbia, excepting leased land, inland ferries and their terminals, were transferred to BCTFA. This transfer was done in accordance with the Budget Measures Implementation Act, 1999. The Act was introduced on March 30, 1999 and received royal assent on May 11, 1999. Administration, regulatory responsibility and operational authority for management of the highways, as under the Highway Act, will remain the responsibility of the Minister and the Ministry of Transportation and Highways.

1. Significant accounting policies:

a) **Basis of presentation:**
As prescribed by Section 18(8) of the Build BC Act, the consolidated financial statements of BCTFA are prepared in accordance with generally accepted accounting principles.

b) **Principles of consolidation:**
The consolidated financial statements include the assets, liabilities and operating results of BCTFA and its wholly owned subsidiary, HCL. Inter-company accounts and transactions are eliminated. General and administrative costs of HCL that relate directly to the provision of labour and associated services are capitalized as part of the cost of constructing the related infrastructure.

c) **Temporary investments and marketable securities:**
Temporary investments and marketable securities are carried at the lower of cost and fair market value.

d) **Corridor protection:**
Corridor protection properties are stated at cost. The cost of these properties will become part of work in progress when the applicable projects commence. These properties are held for future highways development.

e) **Capital assets:**
Land is stated at cost.

Work in progress consists of direct project expenditures and related financing costs. Capitalization of interest during construction ceases at the end of the year when a project is substantially complete and ready to use. Project costs are written down in the year it is determined no tangible asset will result. Work in progress is not amortized.

Completed infrastructure is stated at cost and is amortized commencing in the year following completion.

Highway infrastructure transferred from the Province of British Columbia is recorded at net book value and, where necessary, estimates were used. Amortization is not recorded in the year of transfer.

Office equipment and leasehold improvements are stated at cost.

Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Completed infrastructure - surfacing	15 years
- all other infrastructure costs	40 years
Office equipment and leasehold improvements	5 years

f) **Deferred contributions:**
Deferred contributions are amounts received from outside agencies for infrastructure projects. These contributions are deducted from related capital construction costs as they are incurred.

g) **Deferred capital contributions:**
Deferred capital contributions represent the offset for the net completed infrastructure transferred to the BCTFA from the Province of British Columbia on March 31, 1999. These contributions will be amortized to revenue at the same rate that the applicable infrastructure is amortized.

h) **Federal and provincial taxes:**
Both the BCTFA and HCL are exempt from corporate income taxes. HCL is subject to the Goods and Services Tax.

i) **Bond discounts, premiums and issue costs:**
Bond discounts and premiums are amortized on a straight-line basis over the term of the related debt. Issue costs are expensed in the year incurred.

j) **Related party transactions:**
The BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations. Transactions with these entities, unless disclosed separately in these financial statements, are generally considered to be in the normal course of operations, and are recorded at the exchange amount.

k) **Use of estimates:**
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

2. Marketable securities:

BCTFA owns 11,000 fully transferable share purchase warrants in Ballard Power Systems Inc. as part of the Ballard Power Systems Inc. and Province of BC Fuel Cell Program Agreement. The warrants expire on March 25, 2001. Each warrant entitles the BCTFA to purchase three common shares at a price of $25.63 as the result of a three for one stock split in May 1998. (Market value March 31, 1999 - $1.250 million, March 31, 1998 - $1.486 million.)

3. Corridor protection:

A fund has been established to support the acquisition of properties in advance of need as part of a corridor protection strategy.

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($ 000s)	1999	1998
Cash	4,006	2,606
Properties - Purchased by BCTFA	5,624	7,024
Properties - Transferred from the Province	24,500	- -
	34,130	9,630

4. Capital assets:

($ 000s)			1999	1998
	Cost	Accumulated amortization	Net book value	Net book value
Land	761,566		761,566	228,641
Work in progress	201,413		201,413	112,316
Completed infrastructure	4,687,466	46,070	4,641,396	986,214
Office equipment and leasehold improvements	1,580	829	751	735
	5,652,025	46,899	5,605,126	1,327,906

5. Asset transfer from Province of British Columbia

At March 31, 1999 highway assets owned by the Province of British Columbia, excepting leased land, inland ferries and their terminals, were transferred to BCTFA. The value was established by the Province based upon depreciated historical costs and estimates. The assets transferred were recorded as follows:

($ 000s)	1999
Land	497,092
Corridor protection	24,500
Completed infrastructure (net of amortization and recoveries)	3,532,796
Total Assets Transferred	4,054,388
Consisting of:	
Deferred capital contributions – net depreciable assets	3,532,796
Contributed surplus – non-depreciable assets	521,592
Total contributions	4,054,388

As part of the transfer, BCTFA assumed $50.5 million of contingent liabilities relating to outstanding claims.

6. Deferred contributions

($ 000s)	1999	1998
Beginning balance	10,909	9,455
Add: contributions during the year	2,444	1,650
Less: amounts transferred to capital assets	(55)	(196)
Ending balance	13,298	10,909
Consisting of:		
Federal Government of Canada	11,398	10,855
Municipal governments	1,900	54
	13,298	10,909

7. Capital debt and sinking fund:

($ 000s)	1999	1998
Bonds and Notes payable to the Province of British Columbia		
Fixed-rate debt: Various issues at an average effective interest rate of 6.504% (1998 - 6.975%) maturing at various times to 2039	**956,882**	620,196
Variable-rate debt: Various issues at an average effective interest rate of 4.942% (1998 - 4.591%), maturing at various times to 2000	**490,971**	481,000
	1,447,853	1,101,196
Sinking funds on deposit with the Province of British Columbia	**(27,497)**	(15,617)
Net capital debt	**1,420,356**	1,085,579

At March 31, 1999, the coupon rates on fixed-rate debt ranged from 5.70% to 9.50% (1998 - 6.00% to 9.50%). All foreign currency debt has been swapped to Canadian dollars.

Sinking fund payments for each of the next five years are $15.301 million.

The Provincial Treasury is the fiscal agent of the BCTFA. Debt borrowed through the provincial governmentís fiscal agency program carries a provincial guarantee.

Pursuant to Section 23(1) of the Build BC Act, BCTFA may borrow the sums of money considered necessary to carry out its mandate. At March 31, 1999, the BCTFA was authorized to borrow up to $1,487.0 million, net of sinking funds.

8. Dedicated taxes:

Under the Build BC Act, the Province of British Columbia collects gasoline and motor fuel taxes on behalf of BCTFA under Section 13 of the Motor Fuel Tax Act (2 cents per litre), and car rental taxes under Section 26 of the Social Services Tax Act ($1.50 per car rental day).

($ 000s)	1999	1998
Tax revenues earned:		
Motor Fuel Tax Act	**112,709**	108,543
Social Services Tax Act	**11,000**	9,000
	123,709	117,534

Effective June 1, 1999, the Province of BC will transfer to BCTFA a further one cent per litre of existing taxes currently collected under the Motor Fuel Tax Act.

9. Other revenue

($ 000s)	1999	1998
Gain on sale of marketable securities	**--**	10,517
Economic development projects	**1,187**	2,012
Properties	**1,245**	363
Other	**161**	215
	2,593	13,107

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10. HCL operations:

HCL is the employer of the construction labour force on various transportation infrastructure projects. HCL recovers its construction labour costs from the construction contractors. Payments and recoveries in 1999 were $25.465 million (1998 - $23.333 million).

11. Grant programs:

The BCTFA provided grants during the year under the following programs:

- the Air Transport Assistance Program (ATAP) provides financial contributions for capital works at community airports.
- the Cycling Network Program (CNP) provides financial contributions for municipal and provincial cycling infrastructure.
- the Alternative Transportation Program (ATP) provides financial contributions to support measures that encourage the development and use of alternative transportation modes.
- the Newly Incorporated Territory Program (NITP) provides financial contributions for road improvements to fulfil outstanding commitments under the former provincial Incorporation Assistance Program.
- the Local Roads component of the Infrastructure Works Program (IWP) provides the provincial financial contribution for capital works on local roads.

12. Ministry of Transportation and Highways services:

In 1999, $16.7 million (1998 - $16.5 million) was paid to the Ministry of Transportation and Highways for general expenses that were not specifically attributable to individual capital construction projects.

13. Interest expenses:

($ 000s)	**1999**	1998
Interest on capital debt	**78,348**	53,742
Interest income	**(3,812)**	(1,396)
	74,536	52,346
Capitalized interest	**(6,406)**	(24,658)
Net interest expense	**68,130**	27,688

14. Other items:

a) Transfer of highways
In February 1998, the Province signed the Transportation Governance and Funding for Greater Vancouver Agreement. Under this Agreement, administration and control of highways forming part of the major road network in the Lower Mainland were transferred, by Order-In-Council on March 31, 1999 to the Municipality in which they are located. The net book value of the BCTFA financed highways transferred was $90.7 million.

b) Flood repair program
The BCTFA provided flood repair funding under a provincial program to cover excessive costs of emergency repairs to highways and bridges affected by slides and washouts during 1997/98.

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The BCTFA provided flood repair funding under a provincial program to cover excessive costs of emergency repairs to highways and bridges affected by slides and washouts during 1997/98.

15. Pension plan:

The BCTFA and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province of British Columbia has statutory responsibility for any unfunded liability. The most recent actuarial valuation has determined the Plan is in a surplus position.

16. Commitments:

At the end of each year, the BCTFA has a number of general commitments outstanding for ongoing infrastructure projects. Such future expenditures are charged to the capital program of the year in which the work or service is performed. The approved capital program for 1999/00 is $489.4 million.

The BCTFA also has grant commitments for $0.4 million for cycling network projects, $0.2 million for air transport assistance projects, $1.4 million for newly incorporated territory projects and $9.3†million for local roads projects, all of which will be completed after March 31, 1999.

17. Contingencies:

Contingent liabilities of $80.1 million remain after deducting the estimated settlement expense currently accrued from gross claims outstanding for capital projects.

The BCTFA has provided a $5.5 million infrastructure loan guarantee to Tanac Development Canada Corporation relating to Furry Creek access improvements. This loan guarantee is fully secured against real properties.

18. Year 2000:

The BCTFA completed a "Year 2000" inventory and assessment of systems and equipment, and have examined the impact of the year 2000 date on all programs. The BCTFA believes its operations will not be materially disrupted by "Year 2000" risks. In case of a failure of one or more systems, the BCTFA has prepared contingency plans. It is not possible, however, to be certain that all aspects of the "Year 2000" issue affecting the BCTFA, particularly those related to the efforts of suppliers or other third parties, will be fully resolved.

19. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

BCTFA Board of Directors

As of March 31, 1999, the BCTFA Board of Directors was made up of the following members:

Honourable Harry Lali, Minister of Transportation and Highways and Chair

Honourable Dan Miller, Minister of Energy, Mines and Northern Development and Deputy Premier

Honourable Jenny Kwan, Minister of Municipal Affairs

Erda Walsh, MLA, Kootenay

Graeme Bowbrick, MLA, New Westminster